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RUEHLB/AMEMBASSY BEIRUT PRIORITY 4520
RUEHEG/AMEMBASSY CAIRO PRIORITY 2892
RUEHDM/AMEMBASSY DAMASCUS PRIORITY 5282
RUEHLO/AMEMBASSY LONDON PRIORITY 2139
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RUEHTU/AMEMBASSY TUNIS PRIORITY 5609
RUCNDT/USMISSION USUN NEW YORK PRIORITY 7584
RUEHJI/AMCONSUL JEDDAH PRIORITY 0437
RUEHJM/AMCONSUL JERUSALEM PRIORITY 0632
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UNCLAS TEL AVIV 002360

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR X0XX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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SUBJECT: ISRAEL MEDIA REACTION

Please note: There will be no Tel Aviv Media Reaction report on Tuesday, October 21, 2008, due to the Simchat Torah holiday.

SUBJECTS COVERED IN THIS REPORT:

Mideast

Key stories in the media:

The media continued to report on PM-designate Tzipi Livni's arduous coalition-forming efforts. HaQaretz reported that yesterday Shas

spiritual leader Rabbi Ovadia Yosef instructed party chairman Eli Yishai not to compromise on child allowance payments, as Kadima and Shas party negotiators ended their latest coalition talks Sunday evening without reaching an agreement. Shas is insisting on allowances for "family payments" in 2009, at a cost of more than a billion shekels (around \$267.45 million). Yediot quoted Livni associates as saying that Livni plans to establish a government next week, even without Shas.

Maariv reported that outgoing PM Ehud Olmert is pushing to reach an agreement with Syria before he leaves office. On Sunday HaQaretz reported that Jerusalem sources denied over the weekend any knowledge of a U.S. proposal to Syria, to the effect that Israel would pull out of the Golan if Syria severs its ties with Iran, as reported in the Kuwaiti newspaper Al-Jarida on Friday.

On Sunday HaQaretz quoted a senior GOI source as saying that Israel expects the U.S. to initiate direct talks with Tehran if Senator Barack Obama is elected president, in which case a critical Israeli interest would be to condition any talks between the West and Iran on Iran's halting uranium enrichment.

Over the weekend leading media reported on increased tension between Israeli/Jewish notables and the Vatican around the proposed beatification of the late Pope Pius XII, who reigned during the Holocaust, and who many believe did not do enough to combat it.

HaQaretz reported that the Foreign Ministry is examining an initiative aimed at reaching a long-term non-belligerence pact with Lebanon to prevent renewed fighting along the northern border. Given the close relationship with Livni of officials who participated in the discussion of the issue two weeks ago, the evaluation's recommendations are likely to be influential should she succeed in forming a government. Eran Etzion, the head of the Foreign Ministry's political planning section, was quoted as saying that a full peace agreement with Lebanon can only come in the wake of a similar deal with Syria. Still, he said, Israel can try to advance on a separate political track with Lebanon, the end result of which could be a long-term non-belligerence pact. The agreement would be signed by both governments, and its focus would be a reciprocal agreement on the route of the border between the two countries. The deal would include a solution to the dispute over the Sheba Farms border area and the divided village of Ghajar, as well as a number of small border adjustments demanded by Lebanon. The recommendation would provide for a coordination apparatus between the IDF and the Lebanese army, as well as the United Nations Interim Force in Lebanon (UNIFIL) over border patrols and other monitoring activities. Israel would be expected to ask Lebanon to significantly reduce Hizbullah's weapons stores and extend the Lebanese army's authority across the entire country, with a special emphasis on the area south of the Litani River. In return, an agreement would have to be reached regarding Israeli overflights of Lebanon. On Sunday The Jerusalem Post reported that Israel welcomed a call from UN Secretary-General Ban Ki-moon for Hizbullah to be dismantled.

Israel Radio reported that yesterday Republican presidential candidate Sen. John McCain reiterated his wish to move the U.S. Embassy to Jerusalem as soon as he is elected. The radio said that McCain's comment is likely meant to appeal to the Jewish electorate.

Yediot reported that graffiti in Tel Aviv threatened the life of Peace Now Secretary-General Yariv Oppenheimer. Police believe that the banned extreme-right group Kach is behind the threats.

On Sunday HaQaretz reported that President Bush announced a decision over the weekend to extend the U.S. Visa Waiver Program to seven more countries; Israel was not one of them.

Leading media reported that about 3,000 people rallied yesterday at the Kerem Shalom crossing, blocking goods from entering Gaza as they called for Gilad Shalit's return. After Defense Minister Ehud Barak said on IDF Radio yesterday that the protest could lead Hamas to raise its price for Shalit, his Labor colleague, Minister Ami Ayalon, responded that such action could also lead the militant group to soften its position.

Citing AP, HaQaretz quoted DM Barak as saying yesterday that Israeli leaders are seriously considering a dormant Saudi plan offering a comprehensive peace between Israel and the Arab world in exchange for lands captured during the 1967 war. Barak said it may be time to pursue an overall peace deal for the region, since individual negotiations with Syria and the Palestinians have made little progress. HaQaretz reported that yesterday Turki al-Faisal, the former Saudi intelligence director and a member of the royal family, presented a new proposal for Israeli-Palestinian peace at a conference in Britain. Arab, Palestinian, and Israeli political figures attended the conference, organized by the Oxford Research Group, which seeks to promote the Saudi Peace Initiative of 2002. Al-Faisal, who heads the King Faisal Center for Research and Islamic Studies, expressed the kingdom's support for a comprehensive peace and the rights of the Palestinian people. On Sunday Maariv reported that on Friday President Shimon Peres told Rabbi Ovadia Yosef QItQs a mistake to conduct separate negotiations with the Syrians and separate negotiations with the Palestinians. Israel needs to stop holding separate negotiations and to go for a regional peace agreement with the Arab states and the Arab League.

Over the weekend the media reported that on Saturday, settlers from the Jewish community in Hebron clashed with Palestinian farmers who came to harvest an olive grove near the Tel Rumeida neighborhood. Three left-wing activists were arrested following the incident for allegedly violating an order that declared the Tel Rumeida area a closed military zone.

The Jerusalem Post quoted Zohair Hamdan, the mukhtar (mayor) of the East Jerusalem village of Sur Bahr, who last month canceled plans to run for mayor of Jerusalem, as saying on Sunday that he intends to endorse the candidacy of secular Jewish Nir Barkat, and that he could bring thousands of East Jerusalem Arab voters with him.

HaQaretz reported that Yediot refrained from publishing over the weekend the whole story of an Arab who was executed during the War of Independence. HaQaretz said that members of the Israeli defense establishment were among those who warned that such publication would set the Arab world ablaze.

HaQaretz and The Jerusalem Post reported that former Israeli ambassador to the U.S. Danny Ayalon announced yesterday that he would resign from his post as co-chairman of the pro-immigration group Nefesh B'Nefesh at the end of this year, in order "to pursue an independent political career opportunity."

HaQaretz reported that a list compiled by Newsweek of 11 prominent women leaders from around the world includes Knesset Speaker Dalia Itzik.

Mideast:

Summary:

Senior op-ed writer Akiva Eldar commented in the independent, left-leaning Ha'aretz: QThe demand by Shas Chairman Eli Yishai ... to receive a public promise from Livni ... that she Qdoes not intend to bring up the subject of Jerusalem in negotiations with the Palestinians,Q is not even worth negotiating.

The conservative, independent Jerusalem Post editorialized: QIt is essential that those who campaign for Shalit's freedom hone their message, directing it at Hamas and not at Israel.

Block Quotes:

II. "We Must Not Give in on Jerusalem"

Senior op-ed writer Akiva Eldar commented in the independent, left-leaning Ha'aretz (10/20): QThe demand by Shas Chairman Eli Yishai, as he told the media, to receive a public promise from Livni, preferably signed, that she Qdoes not intend to bring up the subject of Jerusalem in negotiations with the Palestinians,Q is not even worth negotiating. Livni -- and Yishai himself -- are still

members of a government that less than a year ago gave its blessing to the joint declaration read by U.S. President George W. Bush at the Annapolis conference, which proclaimed there that QIn furtherance of the goal of two states, Israel and Palestine, living side by side in peace and security, we agree to immediately launch good-faith bilateral negotiations in order to conclude a peace treaty, resolving all outstanding issues, including all core issues, without exception, as specified in previous agreements....Q Yishai is asking Livni to mislead the Israeli public as well.... Livni can adopt Ehud Olmert's manipulative methods; she can promise Yishai that Jerusalem will not be on the negotiating table and conduct the negotiations under the table. But she was not elected in order to carry on the Olmert legacy.

II. "The Wrong Target"

The conservative, independent Jerusalem Post editorialized (10/20): QThe biggest mistake the Free Gilad Shalit movement could make would be to continue directing its energies against the government. Our democratic society has responsibilities that go beyond the welfare of a single Israeli hostage. We cannot allow either emotional blackmail -- no matter how understandable its source -- or media frenzy amid a political leadership vacuum to stampede the country into a bad bargain. The demonstrations could play a positive role if they called attention to the fact that the terrorists on Hamas's ransom list are allowed visitors, while Shalit is denied all contact with the outside world. Any appearance of further weakness and indecisiveness on the part of the Israeli leadership will magnify the enemy's incentive to carry out more abductions. So it is essential that those who campaign for Shalit's freedom hone their message, directing it at Hamas and not at Israel.

CUNNINGHAM